

**STATE OF WISCONSIN
STATE ACCOUNTING MANUAL**

SECTION:	VI Revenues	EFFECTIVE DATE:	July 1, 2003
SUB-SECTION:	10 – Indirect Cost Reimbursements	REVISION DATE:	July 1, 2003
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INTRODUCTION

Office of Management and Budget (OMB) Circular A-87 allows most grantee agencies to submit Indirect Cost Rate Proposals (ICRP's) to their cognizant federal agency. The ICRP calculates an "Indirect Cost Rate" for a federal grant or group of federal grants. When the federal agency makes a grant award it will then include an additional amount as an "indirect cost allowance" for the amount of indirect costs to be reimbursed. When a state agency records direct grant expenditures, it should also record the amount of the indirect cost allowance. This allows the state agency to receive additional federal funding.

The accounting challenge for indirect costs reimbursements is that the indirect expenditure recorded in the federal appropriation is not supported by a cash disbursement. The cash disbursement was recorded in the agency appropriation that bears the indirect expenditures. Therefore, in order to avoid the double-counting of revenues and expenditures and to show an equal amount of revenues and expenditures within the federal appropriations, a non-budget "indirect cost offset" appropriation must be used.

ACCOUNTING PROCEDURES

The following procedures assume that an agency incurred \$100,000 in direct costs and had an approved Indirect Cost Rate of 10%.

1. Transactions to record the direct costs to the federal appropriation:

App	Src	Fund	Agy	Appn	AT	Acct	Acct Name	DR	CR	Type
PRF		XXX	XXX	XXXX	22	XXXX	Expenditures	10,000		Entered
PRF		XXX	XXX	XXXX	01	1000	Treasurer's Cash		10,000	Offset

P1 transactions to disburse \$10,000 in direct costs from the federal appropriation.

2. Transactions to record the indirect cost allowance to the federal appropriation and to the indirect cost offset appropriation:

App	Src	Fund	Agy	Appn	AT	Acct	Acct Name	DR	CR	Type
PRF		XXX	XXX	XXX4	22	3180	Indirect Cost Allowance	1,000		Entered
CUST		XXX	XXX	9084	22	3180	Indirect Cost Allowance		1,000	Entered
CUST		XXX	XXX	9084	01	1000	Treasurer's Cash	1,000		Offset
PRF		XXX	XXX	XXX4	01	1000	Treasurer's Cash		1,000	Offset

JR transactions to record the 10% indirect cost allowance to the federal appropriation and offset it within the indirect cost offset appropriation.

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3. Transactions to record the receipt of the federal cash for the direct and indirect costs:

App	Src	Fund	Agy	Appn	AT	Acct	Acct Name	DR	CR	Type
PRF	XXX	XXX	XXXR	01		1000	Treasurer's Cash	11,000		Entered
PRF	XXX	XXX	XXXR	31		6910	Federal Aid - Grants		11,000	Offset

CR transactions to record the receipt of \$11,000 in federal funding.

4. Transactions to transfer the indirect cost reimbursement to GPR-earned and/or to the agency's PR indirect cost appropriation:

App	Src	Fund	Agy	Appn	AT	Acct	Acct Name	DR	CR	Type
CUST	XXX	XXX	908R	31		6930	Federal Aid – Indirect	1,000		Entered
PR/GPR	XXX	XXX	XXXR	31		9900	Intrafund Transfers In		1,000	Entered
PR/GPR	XXX	XXX	XXXR	01		1000	Treasurer's Cash	1,000		Offset
CUST	XXX	XXX	908R	01		1000	Treasurer's Cash		1,000	Offset

JR transactions to transfer the federal indirect cost reimbursement to GPR-earned and/or to the agency's PR indirect cost appropriation.

At fiscal year end, the indirect cost offset appropriation 908 should show a debit revenue balance and a credit expenditure balance for the same amount (i.e. revenues would be DR 1,000 and expenditures would be CR 1,000).